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JUN 6 1997

IN REPLY
REFER TO AQOF

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT DISTRICTS
COMMANDERS, DCMC CONTRACT ADMINISTRATION OFFICES

SUBJECT: DCMC Memorandum No.97-012, Performance Based Business Environment (PBBE) Products (INFORMATION)

This is an INFORMATION Memorandum. It expires when the PBBE documents are put into the Defense Acquisition Deskbook, not to exceed one year. Target audience: All DCMC employees.

Over the last few years, the Office of the Secretary of Defense has been moving the Defense Department away from military specifications and standards, towards performance based standards. One effort associated with this realignment began in 1994, when Air Force Materiel Command formed a 150 person joint government/industry Non-Government Standards Integrated Product Team (NGS-IPT). The NGS-IPT envisioned an environment in which the need for a product was defined in performance terms, and key technical and management processes were specified in terms of expected results.

Based on the NGS-IPT Final Report, the Joint Aeronautical Commanders' Group (JACG) created PBBE. PBBE consists of eight guidance documents (see attachment) with the following objectives: increasing access to commercial state-of-the-art technology, integrating commercial and military facilities, encouraging risk-based management practices, using assessed risk to allow increased contractor control during development and production, and fostering greater contractor involvement in sustainment issues.

These guidance documents, or "tool set," were jointly developed and approved by the JACG and industry to achieve these objectives, but represent an 80%, not a foolproof, solution. Although the guides will continue to be clarified, modified, and improved, they are mature enough to provide much needed information to our workforce on the transition to performance based acquisitions.

Other than the Joint Service Guide Specifications, these guides are not aviation unique. A promulgation team, which includes three DCMC representatives, will be briefing the PBBE products to non-aviation sectors such as Space, C4I, and Ships, with other sectors to follow. In addition, training courses will be developed by Defense Acquisition University, and the PBBE guides will be included in the Defense Acquisition Deskbook.

As you review the information in the guides, many areas will be familiar to you, e.g., DCMC people already participate in Contractor Performance Assessment Reports and Performance Risk Assessment Groups; and the Key Supplier Processes Handbook describes many program, engineering, quality, etc., process characteristics and performance attributes that you deal with every day. However, the employment of these concepts in a performance based environment will be new, and you must remember that the contents of the guides are not to become mandatory processes placed upon contractors.

To assist you, the attachment provides points of contact within the Command for each of the PBBE guides. In addition, you will find the web site addresses for both the JACG and PBBE, which are already linked to the DCMC home page. As you familiarize yourself with these documents and the PBBE essential elements, use these sources to gain a better understanding of operating in a performance based environment. Also, I encourage you to speak to your program office counterparts to determine their intended use of the guides or similar material, and how they will approach contracting in a PBBE.

ROBERT W. DREWES
Major General, USAF
Commander

Attachment
Synopsis of PBBE Documents
and Points of Contact

SYNOPSIS OF PBBE DOCUMENTS AND POINTS OF CONTACT

Volume #1: Integrated Performance Based Business Environment Guide

Top level guidance for formulating or modifying acquisition strategy, developing Requests for Proposal, and conducting source selections. Addresses overall business and technical strategy formulation. Provides guidance on integrating performance based product and process requirements to achieve an executable, enforceable contract; includes provisions for risk management by government program management and contract administration offices. Illustrates how the other PBBE guides may be used to address various acquisition phases and support concept scenarios. Includes information on "vertical" retrofit of existing contracts into performance based agreements, and on "horizontal" change consistent with the DoD Single Process Initiative.

Impact on DCMC: The contractor will have more control over processes, product design and configuration, as PBBE emphasizes the use of performance requirements in the contractual specifications and Statement of Work (SOW). The contractor will also be more accountable for product and process performance, and therefore will be taking on more risk. DCMC can provide the insight necessary to make process risk determinations, which could result in process metrics being submitted as data items.

Contractors may be requested to identify, and provide detail on, their processes through an Integrated Management Plan (IMP). The IMP would focus on the processes necessary to achieve a solution, and could be made a contractually binding requirement. Proposals may identify documentation of company processes and provide metrics to indicate process performance; contractors may then be asked to maintain process descriptions and report on process metrics during contract execution. Attention will be focused on processes critical to program success, and potential problem areas that will warrant closer scrutiny through performance indicators and incremental verification. Capability/capacity reviews may be performed in selected critical process areas, such as manufacturing, software, engineering, management, etc., in order to establish the proper level of government oversight to manage process risks. DCMC process risk analysis, PROCAS, policy/procedure reviews, surveillance plans, process metrics/results tracking, process proofing, Software Capability Evaluations, Systems Engineering Capability Maturity Model training, etc., will assist DCMC and the program offices in making the above determinations, and provide a continuing capability to do process analysis and risk assessment.

Points of Contact: Col Barry Harper, (703) 767-3396; Mr. Gene Baisaillon, (617) 753-4671.

Volume #2: Risk Management Pamphlet

This pamphlet describes common, effective risk management practices associated with planning, assessing, handling, and monitoring risks. It applies to all systems, subsystems, hardware, and software programs, and all life cycle phases. Describes risk assessment and management processes and supporting tools, which can be used to achieve best value objectives, without being prescriptive.

Impact on DCMC: Our (program office, DCMC, contractor) ability to determine and manage process/contract risk will be the key to balancing cost, schedule, and performance goals throughout the program's life cycle. As program offices downsize, yet require more information on contractor processes and performance, we can expect to see more requests for DCMC support of risk assessments and capability analyses. This will require learning the various services' and program offices' requirements for risk management, how contractors perform risk management, potential impacts to programs, how to do risk mitigation, and how to utilize our surveillance plans to complement risk assessments.

Points of Contact: Mr. Mike Ferraro, (703) 767-3352; Mr. Winston Tun, (310) 335-4273.

Volume #3: Performance Based Product Definition Guide

This guide describes the role of specifications, standards, and technical data in support of a transition from current and past practices, to a Performance Based Business Environment. It defines three business strategies (procurement alternatives): build-to-print, modified build-to-print, and Form, Fit, Function, and Interface (F3I). The focus of the guide is development, production, and sustainment, but it is applicable to pre-EMD efforts also. The guide discusses spares reprocurement, maintenance, and repair, and addresses access, control, and delivery of product definition data.

Impact on DCMC: The transition to Performance Based Product Definition requires the contractor to be responsible for the flow-down of performance based requirements, product design and manufacturing/support process definition, and verification details for the design solution. Suppliers will then have the responsibility to develop and build the product using contractor specified and controlled practices and/or industry practices. The key is a capable systems engineering process which completely describes the product, so as to facilitate meeting all performance, cost, quality, and future support requirements. In addition, supporting design and fabrication information will support item interchangeability or interoperability, and support changes to the government's product sustainment and technology insertion strategies. DCMC can ensure the flow-down of performance based requirements to subcontractors, proper subcontractor management, and in many instances, monitor subcontractor performance. We can review and assess the systems engineering process, and ensure interface specifications and contractor practices support an "open systems" approach to design, which will facilitate interoperability and technology insertion. This will require greater participation of DCMC in organizations that set/regulate standards.

Point of Contact: Mr. Bill Gibson, (703) 767-2793; Mr. Mike Ferraro, (703) 767-3352.

Volume #4: Joint Services Guide Specifications (JSGS)

Generic performance based specifications providing guidance on the requirements allocation method for key elements within the aeronautical specification tree. These guide specifications define the overall capability for an end item or subsystem. Contains guidance handbooks and lessons learned from previous programs. These documents are **not** to be used contractually, but are intended to better convey desired end product capabilities.

Impact on DCMC: The JSGS are built around the product definition process described in the Performance Based Product Definition Guide. A requirements allocation tree applicable to the aviation sector has been defined, and will be the basis for flow-down of requirements. The JSGS will be used to prepare program specific performance specifications. Contractors will propose how they will meet performance based requirements. See comments on volume #1 and #3 above.

Point of Contact: Mr. Bill Gibson, (703) 767-2793; Mr. Winston Tun, (310) 335-4273.

Volume #5: Key Supplier Processes Handbook

Describes top level, generic, key management processes for program execution, and is applicable to all program phases. May be used to: Develop performance based acquisition strategies through identification of critical process performance attributes; construct solicitations which allow the use of supplier defined processes; provide a common basis for communicating desired process characteristics and performance attributes. The processes addressed in the handbook are: Program/data management, engineering, manufacturing, quality, procurement/subcontract management, and logistics.

Impact on DCMC: The key to successful programs, and contractors, will be in their ability to implement an integrated set of industry processes to meet program requirements. The handbook describes these processes and provides a guide for, not only what a contractor's management and technical systems may contain, but depending on the contract requirements, what the contractor's systems should contain. In this respect, it provides a common basis for communication on processes and expected process results, and problem solving. It can also provide a framework for development of surveillance plans and determination of future training needs of DCMC personnel.

Points of Contact: Mr. William Gillen, (617) 753-3649; Mr. Mike Ferraro, (703) 767-3352.

Volume #6: Contractor Performance Assessment Report (CPAR)

This document provides guidance and procedures for systematically assessing contractor performance on current system acquisitions greater than $5 million (this amount can be modified by the buying agency). The purpose is to ensure a data base of contractor performance information is current and available for use in source selections. CPAR is used to communicate contractor strengths and weaknesses to source selection officials.

Impact on DCMC: Performance assessments will be used as an aid in awarding contracts to contractors that consistently produce quality, on-time products that conform to contract requirements. With DCMC having in-depth knowledge of the performance of over 25,000 contractors, we can expect to receive numerous requests for past performance data. As such, maintaining past performance history and metrics data on contractors, regarding quality, timeliness and performance to requirements, will assist in responding to program managers' requests for assistance with CPAR reports

Points of Contact: Mr. Gary Gumpright, (617) 753-4241; Mr. Bill Gibson, (703) 767-2793.

Volume #7: Performance Risk Assessment Group (PRAG)

The purpose of a PRAG is to evaluate offerors' past performance, to assist the Source Selection Authority (SSA) in selecting a contractor with a proven track record. The PRAG guide provides guidance on organizing and training PRAG members, properly establishing past performance evaluation criteria and instructions-to-offerors for the RFP, obtaining relevant past performance information and properly assessing it, and formulating and presenting PRAG results to the SSA.

Impact on DCMC: Use of past performance information is a significant evaluation factor for the PRAG. This information may be available to the PRAG in CPAR reports, but DCMC personnel can also expect questionnaires and telephone interviews from PRAG members. These questionnaires and interviews are aimed at determining a contractor's performance risk by considering the number and severity of problems, the effectiveness of corrective actions, and ability to abate risks. In addition, DCMC personnel may be asked to participate as PRAG members.

Points of Contact: Mr. Guy Mercurio, (413) 494-6865; Ms. Rita Camacho (310) 335-3917.

Volume #8: Flexible Sustainment Guide

Flexible Sustainment encourages program managers to use performance based specifications, and to develop innovative, cost effective, life cycle solutions. The Flexible Sustainment Guide discusses guiding principles, which address long term operational and support issues to maximize operational capability and optimize investment strategies. Two processes are introduced: Reliability Based Logistics (RBL) (average time to first failure exceeds system life/technology cycle), and Trigger Based Item Management (TBIM) (trend assessment and re-examination of maintenance plans, when reliability, maintainability, or technology changes, or diminishing resources are detected). The guide is supplemented by eleven appendices which discuss subjects such as incentives, warranties, aging technology and reprocurement.

Impact on DCMC: RBL can reduce life cycle costs by including reliability improvements in the acquisition systems engineering process for the initial design or system updates. TBIM is a follow-on process that complements RBL and re-examines the maintenance support structure when a change in reliability or maintainability occurs. Because the systems engineering and logistics communities are at opposite ends of the acquisition spectrum, close coordination has proven to be a difficult task. DCMC will be called on by the program offices to assess contractors' logistics efforts and life cycle cost approaches. This will mean a closer working relationship between our engineering and logistics functions must exist, and their efforts integrated as we perform surveillance and management of these contractor areas.

Point of Contact: Mr. Gene Baisaillon, (617) 753-4671; Mr. Ross London, (617) 753-4244.

Web site address for JACG: www.wpafb.af.mil/az/jacg/index.htm
Web site address for PBBE: www.wpafb.af.mil/az/jacg/pbbe/pbbe.htm